EXPLANATORY MEMORANDUM OF THE FINANCIAL SECRETARY ON THE BUDGET ESTIMATES 1929-30.

Introductory Remarks.

The published estimates contain four sets of figures in parallel columns, *viz.*, the audited accounts of the last financial year (1927-28), the budget and the revised estimates of the current year and the Budget Estimates of the ensuing year.

2. Broadly speaking, the budget is a cash document. The transactions included in the estimates and accounts represent mainly the actual cash receipts and disbursements during the financial year,—July to June—as distinguished from amounts due by or to Government during the same period. The practical advantage of this system is that it keeps the financial record of the year on a basis of realised facts.

3. The Right Hon'ble Lord Olivier has well described the method of Government book-keeping in the following statement.

"The Treasury theory of the usefulness of accounts is that they record what money is paid out by cashiers. An officer is told how much he may pay in a year on each of an immense number of items, according to the approved estimates. Simple addition of columns of abstracted cash entries will show when he has spent his allowance for any item, and he must then stop spending on it, unless his addition sum for another item shows that he has a saving on that, in which case the Treasury may allow him to spend that surplus in aid of the first item. And next year they will cut down his allowance for the second item, which proved too liberal. Accounts are useful as giving the figures on which to do this."

4. The transactions are classified under the following main divisions:—

(*a*) Revenue.	(*c*) Debt.
(*b*) Capital.	(*d*) Remittance.

The first division deals with the proceeds of taxation and non-tax revenues, as well as the expenditure chargeable to them.

The net result represents the surplus or deficit in the year's revenue account.

The second division deals with outlay incurred in building up productive assets, *i.e.*, properties of a remunerative character which are usually financed from one or more of the following sources :—

(i) Borrowed funds.

(ii) Contributions and receipts of a capital nature intended to be applied to Capital expenditure.

(iii) Revenue surpluses.

The third division comprises debt in-comings and out-goings, such as deposits, loans and advances, receipts from which represent a liability and payments, an asset, Government acting practically as bankers in respect of these transactions.

The fourth and last division embraces the adjusting heads, under which appear all cash remittances from one treasury or bank to another, besides those which are necessitated by the system of exchange accounts in force among departments of Government, and between the Government of Mysore and the Government of India.

5. In each of the four divisions mentioned above, the transactions are grouped into sections which are further sub-divided into major, minor and detailed heads of account.

6. The accounts under the several divisions are worked from balance to balance. These balances are merged in the general cash balance of the State, some portion of which is kept in the State Treasuries, while the rest is deposited with the Government Bankers in India and in London.

7. In this Memorandum, endeavour is made to explain the salient features of the transactions under the first two divisions, *viz.*, Revenue and Capital, the expenditure grants under which, with some reservations, are subject to the vote of Legislature, and brief references wherever necessary are made to the others.

8. Prior to dealing with the Budget Estimates of 1929-30, which is the main theme for discussion, the closed accounts of the financial year 1927-28 and the anticipated results of the current year will as usual be briefly reviewed.

Accounts 1927-28.

9. *Comparison of the actuals of 1927-28 with the budget of that year.*—The total Revenue and Expenditure in the closed